THE IMPACT OF THE BOARD OF DIRECTORS CHARACTERISTICS ON EARNINGS QUALITY OF LISTED INDUSTRIAL COMPANIES ON THE AMMAN STOCK EXCHANGE

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ABSTRACT

Accounting earnings represent the main source of many economic decisions. Therefore, the quality of these earnings is an important issue for decision makers. Since the main party responsible for company, making earnings and preparing financial statements is the board of directors, this study came to identify the impact of board of directors characteristics on the earnings quality of listed industrial companies, from 2011 to 2017. In doing so, this study explored the board of directors' characteristics (i.e., board size, duality, directors' ownership, independence directors, experience, qualification, and gender of board of directors). The final sample of the study comprised 33 industrial companies listed on the Amman Stock Exchange, because of the availability of their data during the study period.

The results showed that the earnings quality of *industrial companies listed on the Amman Stock Exchange is 73.6%. Additionally, there is a statistically significant impact from board characteristics on earnings quality, for instance the board size and the experience of board members have a positive and significant impact on earnings quality, while duality has a negative significant impact on earnings quality. The other characteristics, board independence, the qualification of board members and the gender of board members, had no significant impact on earnings quality.*

Due to the lack of studies on earning quality in Jordan, This paper is an attempt to fill the gap in the literature by providing empirical evidence on the effect of board of directors' characteristics on earning quality in Jordan as an emerging economy.

Keywords: Board Of Directors, BOD Size, Directors Ownership, Duality, Independence of Directors, Earnings Quality, ASE.

INTRODUCTION

The financial statements which are issued by companies are considered the most important tools for making investment decisions. The net profit is the most important element of these statements. Since an accrual basis is adopted in the preparation of these statements, it can result in profits that are not without estimates and the personal provisions of the management, which the management of the company can exploit to maximise its interest at the expense of the interests of investors and other stakeholders.

The financial crises which happened recently led to the bankruptcy of many major international companies and institutions have raised a very important issue about the earnings quality published in financial reports. It was necessary to find a way to change this image and restore investor confidence by applying the rules of governance in companies, which will enable them to highlight corporate policies and strategies in decision-making processes.

The boards play an important role in enhancing the performance of companies because the financial failures experienced by many companies around the world are still repeated. It is the supreme administrative body responsible for the General Assembly of Shareholders. The board of directors is elected or selected by the owners to represent them. However, the separation of ownership from management led to the occurrence of what is known as the problems of the agency. In order to control the performance of the management of the institution, the institutional governance had the need to form a board of directors that has qualitative characteristics and determined their composition and the qualifications of their members and committees. The ability of managers to manage reported earnings opportunistically is constrained by the effectiveness of internal monitoring such as corporate boards. Boards of directors are responsible for monitoring th quality of the information contained in financial statements, and thus they control the behaviour of managers in ordr to guarantee that their actions ar alignd with th interests of stakeholders. Therefore, this study discusses one of the elements of corporate governance which is board characteristics.

This study contributes to the literature by providing evidence on the impact of board of directors characteristics on earnings quality in Jordan. Whereas, this study applies a wide range of characteristics of the board of directors: i.e. board size, duality, directors ownership, independence directors, experience, qualification, and gender of members of board of directors.

The Study Problem

This study is motivated of by the global attention to corporate governance as well as earning quality, whereas, accounting earnings are the main source of many economic decisions for the various beneficiaries, and therefore the quality of these earnings have an effect on the results of the decisions taken.

The manipulations of financial statements and corporate collapses are currently recurring phenomena globally. Various countries have tried to address this situation in order to guarantee the credibility of the financial statements through nsuring strong corporate machanisms and strict compliance with accounting standards (Patrick et al., 2015) .

However, management can take advantage of the flexibility of both IFRS (International Financial Reporting Standards) and GAAP (Generally Accepted Accounting Principles) in choosing among different accounting methods when computing earnings and other financial reports. This may lead to inaccurate presentation of information about th company. With increasing harsh economic times, companies may be propelled to practice earning managements for diverse reasons resulting in lower earning quality (Abbadi et al., 2016).

Predicated on this, the study is set out to examine the impact of board of directors charactaristics on earning quality. Since the main party responsible for a company, making earnings, and preparing financial statements is the board of directors, this study wants to answer the following question:

"What is the impact of board of directors characteristics (board size, duality, directors ownership, independence directors, experience, qualification, and gender of board of directors) on enhancing the earnings quality in industrial companies on the Amman Stock Exchange (ASE)?"

Study Objectives

The main objective of the study is to identify the impact of board of directors characteristics on earnings quality in the industrial companies listed on the ASE. As follow:

1. To identify the impact of board size on earnings quality in the industrial companies listed on the ASE.
2. To identify the impact of board duality on earnings quality in the industrial companies listed on the ASE.
3. To identify the impact of directors ownership on earnings quality in the industrial companies listed on the ASE.
4. To identify the impact of independence of directors on earnings quality in the industrial companies listed on the ASE.
5. To identify the impact of board experience on earnings quality in the industrial companies listed on the ASE.
6. To identify the impact of board qualification on earnings quality in the industrial companies listed on the ASE.
7. To identify the impact of board of directors gender on earnings quality in the industrial companies listed on the ASE.

Importance of the Study

The importance of the study comes out from the attempt to highlight the role played by the board of directors in accounting and earnings quality of the industrial companies listed on the ASE. Earnings represents a measure for assessing the performance of companies and has implications for the economic decisions of the users of the financial statements. Reliability and quality in these earnings, and since that the main responsibility for measuring earnings is the management of companies derived from the owners, it is important to study the impact of the board of directors characteristics on accounting earnings quality.

The study provides information that can be used to determine the most important characteristics of the board of directors and its members for earnings quality of companies and thus increase the confidence and help the investors and users of the financial statements to make the right decisions.

Theoretical Framework

The concept of the board of directors

The board of directors is a council elected or chosen by the owners to represent them and adopt their interests. The council consists of two internal groups from inside the organisation and from outside the organisation. Each of them occupies or does not occupy an administrative position in the organisation, and the outsiders see them as independent (Darwish, 2007).

Al-Douri and Saleh stated in favour of a simplified definition of the board of directors that it represents a group of elected individuals whose main responsibility is to act in accordance with the interests of the owners through the control and domination of senior management managers (Al-Douri & Saleh, 2009).

Accordingly, the board of directors are elected members whose task is to take care of the company's affairs and the interests of its owners and shareholders, including its formation, to carry out the duties of the company's management, to pay attention to its affairs and achievement of its objectives, and to meet the requirements of the law, which requires any public shareholding company to have an elected board of directors according to the Jordanian Companies Law, 1997, art. 132.

The concept of earnings quality

Earnings are the most important data used by users to make investment and financial decisions, so these earnings must be accurate, correct and high quality. Many accounting researchers have given different definitions of earnings quality depending on the different users of the financial statements and their purpose from this use.

Al-Momani & Almomani (2018) defined earnings quality is defined as earnings persistence, which means "*the degree to which earnings performance persists into the next period.*"

Ashour (2015) defined it as the predictive capacity of future earnings and its ability to express the company's real performance.

Hamdan (2012) defined earnings quality as the company's current ability to provide a real image of the company's performance and the company's ability to continue in the future. According to users of the financial statements, creditors consider that earnings are used to make credit decisions, While Shareholders consider them to be used as a measure of efficiency Management.

Karakish (2009) earnings quality as being the fact that the company's earnings are tangible and free of exaggerations or probabilities, that is the extent to which current earnings can provide a real image of the company's reality and its ability to continue in the future.

According to these concepts of earnings quality, the researcher believes that earnings quality is the continuity of these earnings into the future and the extent of sincerity and fairness and the freedom from any manipulation or deliberate change.

The importance of earnings quality

The concept of earnings quality is important because of the importance of earnings themselves. As mentioned previously, financial statements are relied upon in financial and investment decisions, and in evaluating the performance of the management of a company in particular and the company as a whole in general.

The interest in earnings quality has increased in the last decade after several international companies announced unrealised and non-permanent gains as part of their quarterly reports, so investors have become more cautious when looking at the net profit (Karakish, 2009). Earning quality and earning managmant is among the important issues nowadays in the minds of investors, next to the issues of financial scandals and crises. The issu of earnings quality and management occurred by the starting of the current century, where users trust in financial reports declined, if not missed (Al-momani & Almomani, 2018).

The importance of earnings quality is indicated according to the following categories:

1. Investors: The earnings quality in the company may be used as an indicator of dividends, especially the fact that the last of the important things to be taken into account when making investment decisions (Issa et al., 2015).

2. Lenders: Creditors want to gain insight to the soundness and solvency of a company through its earnings number. They consider a high (possible) liquidity as important (Steinwender, 2008).
3. Standards-setters: One of their top priorities is that accounting standards are efficient, so they focus on the information resulting from the application of standards in order to benefit the decision-making process (Schipper & Vincent, 2003).
4. Management: Management has a stakeholder interest in predicting earnings quality because executives' reputation is usually associated with earnings quality (Schipper & Vincent, 2003).

The earnings quality of the company is considered an important input in the process of financial and investment decisions and other decisions. In the world of manipulation, earning management and large economic fluctuations, which may produce misleading, temporary, unrealistic and inaccurate numbers and earnings, users may make wrong and harmful economic decisions, showing the importance of earnings quality. Therefore, any user must be aware of the earnings quality and indicators so as not to fall into the trap of large numbers, which may not be true or of quality.

LITERATURE REVIEW

Several previous studies dealt with the characteristics of the board of directors and its impact on the earnings quality as a whole and in part. This study presents the most important characteristics from previous studies.

Gharaibeh (2016) aimed to demonstrate the impact of corporate governance on the earnings quality in Jordanian public shareholding companies, for a sample of 50 industrial companies listed on the ASE for the period 2009–2014. Corporate governance has been measured through governance mechanisms: board size, independence of directors, duality of the positions of chairman of the board of directors and executive director, and concentration of ownership. Jones's modified model was used to measure earnings quality. The results of the study showed that the companies which were sampled in this study practised earnings management, which means that there is a decline in the quality of their earnings. The results of its regression analysis showed that there is no relationship between the mechanisms of corporate governance and earnings quality.

Azzoz & Khamees (2016) aimed to test the relationship between corporate governance characteristics and earnings quality in Jordanian companies. Corporate governance was measured through the following mechanisms: board size, board independence, duality between the chairman and CEO, the audit board size, and the independence of the audit board. The earnings quality was measured with the modified Jones model. A sample of the financial companies listed on the ASE for the period 2007–2012 was taken, and the sample included 73 companies. The results of the study showed that there is an inverse relationship between audit board size, board size and earnings quality, while the relationship between board duality and earnings quality is a positive relationship.

Siam (2014) explored the extent of the relationship between the elements of corporate governance, which consist of the board of directors, and its components, which are directors ownership, the number of board members, the independence of directors and the internal audit committee, whose components are the committee independence, its experience and activity in the company with the earnings quality. The Richardson model was used to measure the earnings quality in the industrial companies listed on the Palestine Exchange. The population of the study was composed of all the industrial companies listed on the Palestine Exchange and numbered 12 companies for the period 2008–2013. The study concluded that there is a positive correlation between the directors' independence, the number of board of directors members and the activity of the audit committee and the earnings quality, while the other elements of corporate governance did not show a relationship between them.

Alatham (2014) identified the impact of the application of rules of governance on earnings quality in the industrial public shareholding companies listed on the ASE. The study population consisted of all 87 listed industrial companies. The study found a number of results. There is an impact from the organisational structure regarding the lines of authority and the responsibility for earnings quality and also the impact from equity among shareholders and stakeholders, accountability of the board of directors, and risk management on the earnings quality. The study also shows the impact of an efficient internal control system on the earnings quality.

Alves (2014) aimed to test the impact of the independence of the board on the earnings quality. The focus was on independence and non-executive members because the independence of the board of directors is an indicator of the strength of corporate governance. The Jones model was used to measure earnings quality. The study was applied to a sample of 402 companies for the period 2003–2010. The results showed a positive relationship between the earnings quality and the independence of board of directors. The researcher recommended paying attention to independence when selecting the board of directors members.

Chaharsoughi & Abdul Rahman (2013) aimed to test the relationship between the mechanisms of corporate governance, namely independence of the board of directors, the number of board of directors members, and the directors ownership, and the earnings quality by applying the Jones model to a sample of 114 companies listed on the Tehran Stock Exchange for the period 2008–2010. The results obtained indicate a positive relationship between the independence of the board of directors and the directors ownership and the earnings quality, but it is not statistically significant. There is an inverse relationship, which is also not statistically significant, between the number of board of directors members and the earnings quality.

The previous studies dealt with many aspects of the corporate governance characteristics in general and the board of directors characteristics in particular and their impact on many important standards for companies and investors in many countries. However, this study addressed the board of directors characteristics more extensively and adopted a more recent period of time, this is an enrichment of scientific research. In addition to that, this study dealing with one of the most important topics recently and one which concerns all users of financial statements, both internal and external, the earning quality. This study is considered one of the few studies in Jordan that has dealt with these two aspects together and linked them together, namely the board of directors characteristics and the earnings quality.

METHODOLOGY OF THE STUDY

The study has applied the descriptive approach and the analytical method. Variables will be described through the previous studies, and then the variables of the study will be measured and then analysed statistically to show the effect of the board of directors characteristics on the earnings quality in the industrial companies listed on the ASE.

Population and Sample of the Study

The study population consists of all industrial companies listed on the ASE for the years 2011–2017, this selection takes into account the most recent data available, prior to publication. The study followed previous studies by excluding finance-related companies. Industrial was chosen due to its importance the national economy, and this sector enjoys the properties related to the availablility of great opportunities in front of management to manage earnings due to some accounting standards give the company's management several alternatives to deal with the same item with great flexibility. The total number of industrial companies according to the ASE is 63 companies. This study excluded companies that: have missing data about study's variables, new listed or delisted during the study's period from 2011 to 2017, and were merged or stopped from trading during the study period. So, the final sample which met the above mentioned terms is 33 companies.

Study Variables and Methods of Measurement

Dependent variable: earnings quality

The earnings quality in this study will be measured by calculating the total accruals. This model explained that earnings can be divided into cash flows and total accruals. If cash flows are greater than accruals, earnings then have a higher quality and vice versa. Where accruals are more likely to be manipulated by managers, and therefore the lower the total accruals are, the higher the earnings quality will be (Richardson et al., 2001), as follows:

$$NOI_{i,\,t+1}=\beta_0+\beta_1\,(NOI_{i,\,t}-TACC_{i,\,t})+\beta_2\,T\,ACC_{i,\,t}+e_{it}$$

Whereas,
- $NOI_{i,\,t+1}$: Net operating income for the next year.
- $\beta_1\,(NOI_{i,\,t}-TACC_{i,\,t})$: Cash flows from operating activities (net profit−total accruals).
- $\beta_2\,TACC_{i,\,t}$: Total accruals (net profit−cash flows from operating activities).

This model focused on operating cash flow because of the earning quality is measured by its continuity and this means the earnings ability to repeat itself. This happens when the earning is due to the operating activities of the company and not from the temporary activities which are finance and investment activities.

In order to exclude the impact of the company's size on the earnings, Richardson and his colleagues divided all equation parts by total assets.

$$ROA_{i,\,t+1}=\beta_0+\beta_1\,(ROA_{i,\,t}-TACC_{i,\,t})+\beta_2\,TACC_{i,\,t}+e_{it}$$

If $\beta1>\beta2$ means that the cash flows and their continuity are greater than the total accruals and their continuity, this is considered proof of the earnings quality, and vice versa. Then, the companies whose cash flows were greater than the total accruals are given the number 1, otherwise 0 is given.

Independent variables:

1. Board size: Measured by calculating the number of board members (Saleh, 2010; Gharaibeh, 2016).
2. The duality of the board: Duality mean there is duality of tasks, the chairman of the board is the same as the executive director. So, if the task of the chairman of the board of directors and executive director is assigned to

one person, the company was given the number 1, otherwise the number 0 is given (Yosuf, 2012; Shiri et al., 2012).

3. Directors ownership: Measured by dividing the number of shares owned by the board of directors members by the total shares of the exporting company (Sharif & Abu-Ajila, 2009).
4. Independence: Measured by dividing the number of independent member in board of directors by the total number of members of the board (Yosuf, 2012; Gharaibeh, 2016).
5. Experience: Measured by calculating the average age of board members (Ismail, 2010; Rawabdeh, 2016).
6. Qualification: Measured by dividing the number of the board of directors members holding higher education certificates by the total number of board members (Ismail, 2010).
7. Gender: Calculated by dividing the number of females on the board of directors by the total number of the board of directors members (Horvath & Spirollari, 2012).

Sources of Data Collection

Two main sources of data collection will be used for this study:

1. The researcher will rely on the published financial reports of industrial companies listed on the ASE that contain the figures to measure the earnings quality of these companies with, as well as private data which concerns the board of directors characteristics, which companies have published annually in addition to the financial statements.
2. The researcher will rely on books, research and previous studies which dealt with the specific topics of this study on the board of directors characteristics and their impact on earnings quality.

Statistical Methods Used

The Statistical Package for Social Sciences (SPSS) was used to achieve the objectives of this study, and in this study the following statistical methods were used:

1. Descriptive statistics: Includes a set of statistics aimed to introduce the variables of the study, and which include the measures of central tendency, including mean and standard deviation.
2. Skewness and kurtosis test: Tests the normal distribution of data.
3. Multiple regression analysis: Measures the impact of the independent variable (the board of directors characteristics) on the dependent variable (earnings quality).
4. Tolerance and VIF: To test the correlation between independent variables to ensure that there is no correlation between independent variables.

RESULTS ANALYSIS AND HYPOTHESIS TESTING

Analysis of the Study Sample

The sample of this study consisted of 33 companies listed on the ASE for the period 2011–2017 and a total of 231 observations. Table 1 shows the number of observations and the mean and the standard deviation of the study variables, according to the sample of the study:

Table 1
DESCRIPTIVE STATISTICS FOR STUDY VARIABLES

Study Variables	N	Minimum	Maximum	Mean	Std. Deviation
EQ	231	0	1	0.7359	0.44179

Table 1
DESCRIPTIVE STATISTICS FOR STUDY VARIABLES

BODSIZE	231	5	13	8.21	2.007
BODDU	231	0	1	0.17	0.379
BODEQ	231	0	1	0.42978	0.28249
BODIND	231	0.3	0.91667	0.68396	0.12065
BODEXP	231	23.3	71.4	51.9503	10.12202
BODQU	231	0	0.86	0.38476	0.18198
BODGEN	231	0	0.29	0.02403	0.06618
Valid N (listwise)	231				231

Whereas,
EQ: Profit quality.
BODSIZE: Board size.
BODDU: Duality of board of directors.
BODEQ: Ownership percentage of board members.
BODIND: Board of directors.
BODEXP: Board members' experience.
BODQU: Qualification board members.
BODGEN: Board gender.

From the previous table we noticed that the earnings of the Jordanian industrial companies are considered to be of high quality, as 73.6% of the earnings of the sample companies were of high quality. This is considered as an important indicator. In contrast, 26.4% of the industrial companies practice earnings management.

The average board size in the Jordanian industrial companies was 8.2, and the percentage of these councils (17%) is double where there is no separation between the task of the chairman of the board and CEO, which is against the instructions of corporate governance, but this ratio is considered small. While the independence of the board of directors members within the study sample companies was 68%, which is considered a high percentage of corporate governance. We also note the low percentage of female participation in the board of directors of the study sample companies, which is only 2% of the total number of the board of directors members, which is a very low percentage of females in Jordan in our present day. The result was similar to the board members' qualifications, as only 2.4% of the board members of the studied companies are graduates, which is also a very small percentage.

With the exception of the percentage of females and the percentage of higher certificates, we believe that these results are generally satisfactory and valuable for companies, corporate governance boards and corporate governance rules.

Assumptions for Linear Regression

Before doing the analysis, it was necessary to make sure that the basic assumptions of linear regression, namely the normal distribution of data and the multiple correlation between the variables, were present.

Normal Distribution of Data

Skewness and kurtosis were used to test the normal distribution of data and the results were as follows.

Table 2
TESTING THE NORMAL DISTRIBUTION OF DATA/VALUES (SKEWNESS AND KURTOSIS)

	Skewness		Kurtosis	
Study Variables	Statistic	Std. Error	Statistic	Std. Error
BODSIZE	0.161	0.16	−0.471	0.319
BODDU	0.739	0.16	0.032	0.319
BODEQ	0.461	0.16	−0.746	0.319
BODIND	−0.506	0.16	0.161	0.319
BODEXP	−0.781	0.16	−0.015	0.319
BODQU	0.219	0.16	−0.860	0.319
BODGEN	0.779	0.16	0.715	0.319
Valid N (listwise)				

Table 2 shows the normal distribution of data according to (Hair et al., 2010). If the value of skewness is between (± 1.96) and kurtosis is between (± 2.85), then data have normal distribution. According to the previous table, the values fall within these limits and the data of the study is distributed normally.

Correlation between Independent Variables

Table 3 shows the following interference and relevance of variables.

Table 3
Interference and the relevance of variables/values (tolerance and VIF)[a]

	VIF	Tolerance
(Constant)		
BODSIZE	1.363	0.733
BODDU	1.361	0.735
BODEQ	1.236	0.809
BODIND	1.236	0.809
BODEXP	1.426	0.701
BODQU	1.372	0.729
BODGEN	1.609	0.622
a: Dependent Variable: EQ.		

Table 3 shows there is no multiple correlation between independent variables where VIF values are less than 10 and tolerance values are greater than 0.10 (Hair et al., 2010).

Testing the Hypotheses of the Study

The results of the statistical analyses that tested the main hypothesis and the subsidiary hypotheses have shown the following.

Main hypothesis

The main hypothesis of the study is that "*There is no impact of the board of directors characteristics on earnings quality in the Jordanian industrial companies listed on the ASE*".

Multiple regression was used to measure the impact of board characteristics on earnings quality. The following Tables 4 and 5 show the relationship between board characteristics and earnings quality.

Table 4
TESTING THE USED MODEL (MODEL SUMMARY)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.720[a]	0.641	0.593	0.441

a. Predictors: (Constant), AUDREP, BODDU, BODEQ, DEPT, BODNAT, BODEXP, BODIND, BODQU, FIRMSIZ, BODGEN, BODSIZE.

Table 5
TESTING THE IMPACT OF BOARD'S CHARACTERISTICS ON EARNINGS QUALITY (ANOVA[a])

	Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1	2.18	10	0.218	6.123	.003[b]
Residual		42.712	220	0.194		
Total		44.892	230			

a. Dependent Variable: EQ

b. Predictors: (Constant), AUDREP, BODDU, BODEQ, DEPT, BODNAT, BODEXP, BODIND, BODQU, FIRMSIZ, BODGEN, BODSIZE.

The two previous tables showed that the value of R^2 (0.641) and the value of F (6.123) have a significant statistical level (Sig=0.003). This means that the independent variables, which are the characteristics of the board of directors board, explain 64.1% of factors affecting the dependent variable, which is the earnings quality.

Therefore, the main null hypothesis is rejected and the alternative hypothesis is accepted, which states that "*The board of directors characteristics have a statistically significant impact on enhancing the earnings quality in the Jordanian industrial companies listed on the ASE*".

For the sub-hypotheses, the results were as follows.

Testing sub-hypotheses

Linear regression was used to measure the effect of each of the board of directors characteristics on the earnings quality. The results of the testing of the seven sub-hypotheses which related to testing separately the effect of each of the board of directors characteristics on the earnings quality in the Jordanian industrial companies listed on the ASE are in Table 6.

Table 6
TESTING THE EFFECT OF INDEPENDENT VARIABLES (SUB-HYPOTHESES) AND GOVERNING VARIABLES (COEFFICIENTS[a])

Sub-Hypothesis	Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
			B	Std. Error	Beta		
	1	(Constant)	.683	.291		2.350	.020
First Hypothesis		BODSIZE	.269	.030	.254	2.071	.019
Second Hypothesis		BODDU	−.390	.089	−.277	−1.014	.012
Third Hypothesis		BODEQ	.122	.114	.078	1.063	.289
Forth hypothesis		BODIND	−.009	.259	−.003	−.036	.972
Fifth Hypothesis		BODEXP	.421	.003	.313	2.178	.049
Six Hypothesis		BODQU	.139	.087	.157	1.743	.058

Table 6
TESTING THE EFFECT OF INDEPENDENT VARIABLES (SUB-HYPOTHESES) AND GOVERNING VARIABLES (COEFFICIENTS[a])

Seventh Hypothesis		BODGEN	−.140	.554	−.021	−.254	.800
a. Dependent Variable: EQ							

Testing the first sub-hypothesis: *"There is no impact of the board size on the earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of beta equals 0.254 and the value of t equals 2.071 at a statistical indication level (Sig=0.019). This means that there is a statistically significant impact from the board size on the earnings quality. If the independent variable increases by one unit, the dependent variable will be increased by 0.254. Therefore, we reject the null hypothesis and accept the following alternative hypothesis: "*There is a statistically significant impact from board size on the earnings quality in the Jordanian industrial companies listed on the ASE*".
This indicates that increasing the number of board members contributes to improving the earnings quality, so there is a positive relationship between the board size and the earnings quality. This finding is consistent with studies of Luchs et al. (2009); and Saleh (2010) and is inconsistent with Jensen (1993); and Azzoz & Khamees (2016).

Testing the second sub-hypothesis*:* "*There is no impact of board duality on the earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of beta equals 0.777 and the value of t equals 1.014 at a statistical significance level (Sig=0.012). This means that there is a statistically significant effect from board duality on earnings quality. However, this impact was negative. If the independent variable increases by one unit, the dependent variable reduces by 0.277. Therefore, we reject the null hypothesis and accept the following alternative hypothesis: "*There is a statistically significant impact from board duality on earnings quality in Jordanian industrial companies listed on the ASE.* "

This indicates that duality negatively affects earnings quality. In other words, if there is no separation between the functions of the chairman and the executive director, it will lead to a reduced earnings quality. Therefore, the separation of functions and positions is better, to improve and enhance earnings quality. The same conclusion was reached by Azzoz & Khamees (2016), Hsu & Wen (2015), and Yosuf (2012), all of whom agreed on the negative relationship between board duality and earnings quality, while no study came to the contrary.

Testing the third sub-hypothesis: *"There is no impact of the board directors ownership on earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of beta equals 0.078 and the value of t equals 1.063 at a statistically significant level (Sig=0.289). This means that there is no statistically significant impact from the board size on the earnings quality. In this way we accept the null hypothesis as it is.

This result shows that no matter how much the company's shareholding in the company's shares is, it will not impact the earnings quality of the company. This result is contrary to the results of the previous studies, which all showed that there is a relative impact from ownership on earnings quality, but the nature of this impact was different, such as in the study of Jung &

Kwon (2002), which found a positive relationship between them, and the study of Sharif & Abu-Ajila (2009), which showed a negative relationship between directors ownership and earnings quality.

Testing the fourth sub-hypothesis: *"There is no impact of the independence of board of directors on earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of beta equals -0.003 and the value of t equals -0.036 at a statistically significant level (Sig=0.972). This means that there is no statistically significant impact from board size on earnings quality. Therefore we accept the null hypothesis as it is.
This means that the number of independent members within the board of directors does not contribute to the earnings quality, whether this number is low or high. This result was similar to the studies of Gharaibeh (2016) and Sharif & Abu-Ajila (2009) there was no relationship between the earnings quality and the independence of the board of directors.

Testing the fifth sub-hypothesis: *"There is no impact of the board experience on the earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of Beta equals 0.313 and the value of t equals 2.178 at a statistical significant level (Sig=0.049). This means that there is a statistically significant impact from board duality on earnings quality. This also indicates that if the independent variable increases by one unit, the dependent variable will increase by 0.313. Therefore, we reject the null hypothesis and accept the following alternative hypothesis: "*There is a statistically significant impact from board experience on earnings quality in the Jordanian industrial companies listed on the ASE"*.

This result indicates that the more experienced the board of directors members are (the older they are), the more awareness they have to enhance the earnings quality of the company, and the older the board of directors are, the higher the earnings quality in companies will be. This result is similar to the results of most previous studies, such as the Xie et al. (2003), which found a positive relationship between board experience and earnings quality, and Chtourou et al. (2001), which found a negative relationship between board experience and earnings management.

Testing the sixth sub-hypothesis: *"There is no impact from the board's qualification on the earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of beta equals 0.57 and the value of t equals 1.743 at a statistically indication level (Sig=0.058). This means that there is no statistically significant impact from the board size on the earnings quality. Therefore we accept the null hypothesis as it is. This shows that the board's qualification, the higher degrees and the educational achievement of the board of directors members, has no impact on improving and enhancing the earnings quality in companies. This is the same conclusion reached by Ismail (2010) in his study, which showed that there is no relationship between the board's qualification and the earnings quality.

Testing the seventh sub-hypothesis: *"There is no impact from the gender of the board of directors on the earnings quality in the Jordanian industrial companies listed on the ASE".*

Table 6 shows that the value of beta equals -0.21 and the value of t equals -0.254 at a statistically significant level (Sig=0.800). This means that there is no statistically significant impact from the board size on the earnings quality. Therefore, we accept the null hypothesis as it is. That is, whether the board of directors members are female or male has no impact on the earnings quality in companies. This result is contrary to the results of Buniamin et al. (2012) study which found a positive significant relationship of number of women in th board with accruals.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

After the statistical analyses and hypotheses testing, several important conclusions were obtained:

1. The earnings of the Jordanian industrial companies listed on the ASE are regarded as being of high earnings quality, as it was found that 73.5% of the industrial companies have earnings quality, which is a high and reassuring proportion.
2. There is a great commitment to the rules of corporate governance in the Jordanian industrial companies listed on the ASE, such as in terms of board size, the number of independent members, and the separation between the functions of the chairman of the board of directors and executive director.
3. The board of directors characteristics have an important and statistically significant impact on the earnings quality as indicated by the statistical analysis.
4. It was found that the characteristics of tha board of directors are: size of the board, duality of the board, and experience of member of the board have a significant statistical impact on the earning quality.
5. The size of the board and the experience of member of the board have a positive effect on the earnings quality. This indicate that: increasing the number of board members contributes to improving the earning quality, and the more experiencd members of board, the more their age, the more awareness they have to enhance the earning quality.
6. The duality of the board has a negative effect on earnings quality. This indicate if there is no separation between the tasks of the chairman and the executive director, then this will not enhance the earnings quality and will result in reduce the earning quality.
7. Although there is generally an impact from the board of directors characteristics on the earnings quality, there are some characteristics that did not have an impact on the earnings quality. These characteristics are: directors' ownership, independence of the board of directors, qualification, and gender of member of board of directors. Statistical tests showed that the effects of these characteristics on earnings quality were not statistically significant.

Recommendations

Based on the conclusions obtained, the researcher recommends the following:

1. Companies should pay more attention to selection the board of directors and comply with the corporat governance code in relation to the board of directors, since the board of directors has a significant and positive impact on earnings quality. Thus gain the confidence and respect of investors and users of the financial statements of these companies.
2. ASE should also work in issuing new standards or reviewing existing ones to narrow the gaps which give chances for managers to engage in earnings management practices.
3. Other studies should be done to measure the earning quality in industrial companies using another models and measurment methods, and use other board of directors characteristics such as numbr of board meetings, to enrich th topic with new informations and other facts.
4. The scope of the study is limited to the listed industrial companies on the ASE for a period of study of

seven years from 2011 to 2017. Therefore, it is suggested that future research should examine other sector and more recent period.

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